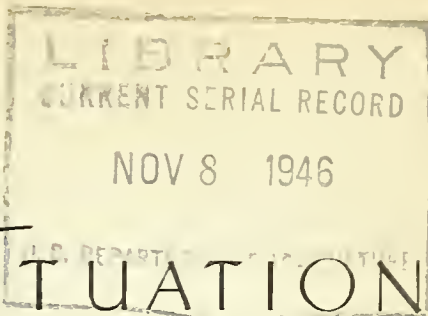


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# THE *Demand and Price* SITUATION



BUREAU OF AGRICULTURAL ECONOMICS  
UNITED STATES DEPARTMENT OF AGRICULTURE

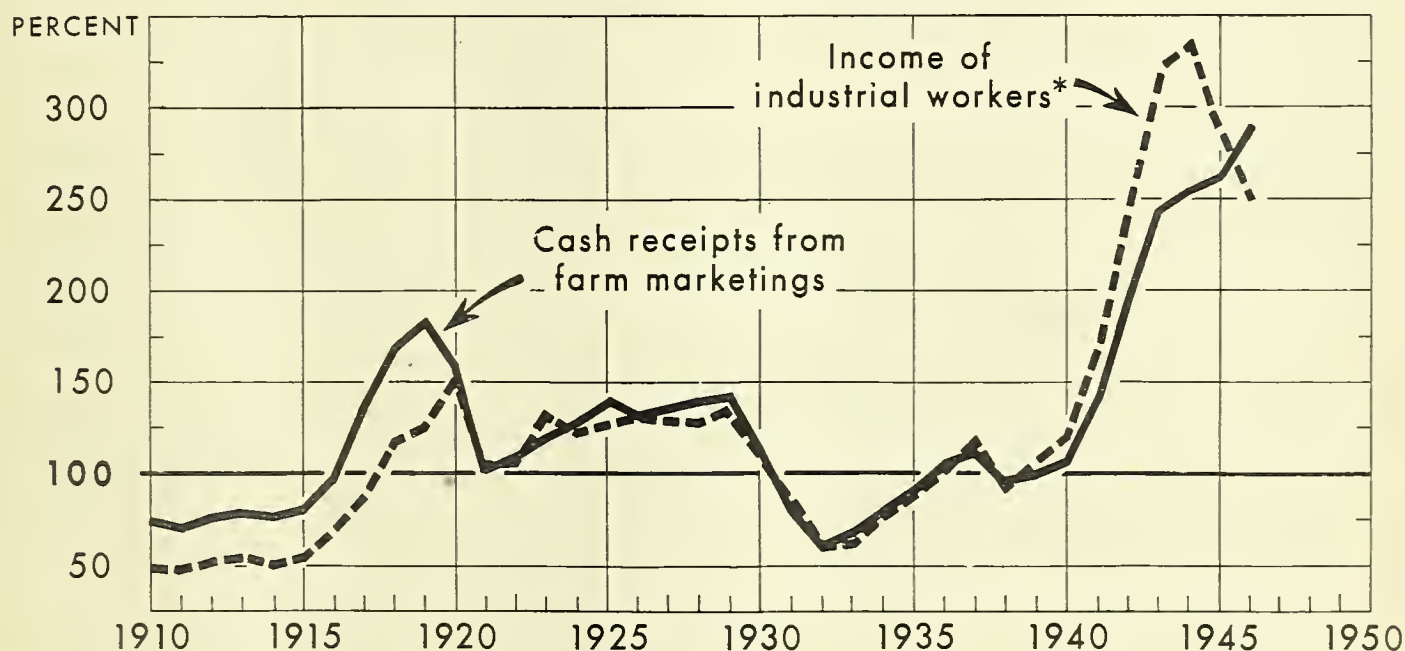
WASHINGTON, D. C.

BAE

OCTOBER 1946

## CASH RECEIPTS FROM FARM MARKETINGS, AND INCOME OF INDUSTRIAL WORKERS, UNITED STATES, 1910-46

INDEX NUMBERS (1935-39 = 100)



\* MANUFACTURING, MINING, AND RAILWAY

DATA FOR 1946 ARE TENTATIVE ESTIMATES

U. S. DEPARTMENT OF AGRICULTURE

NEG. 42554-X

BUREAU OF AGRICULTURAL ECONOMICS

Cash receipts from farm marketings and incomes of urban people tend to move together rather closely in response to changes in general prices and over-all business activity. Incomes of industrial workers are one of the largest segments of the non-farm economy and show about the same sensitivity to general economic conditions as do cash receipts from farm marketings. The series occasionally move in opposite directions, however, as in 1920, 1924, and the last 2 years.

## ECONOMIC TRENDS AFFECTING AGRICULTURE

Item	: Unit or : : base : : period :	1945			1946		
		Year	Aug.	May	June	July	Aug.
Industrial Production 1/	: 1935-39 :						
Total .....	= 100	203	186	160	170	172	176
All manufactures .....	"	214	194	167	176	177	182
Durable goods .....	"	274	239	175	193	202	206
Nondurable goods .....	"	166	157	161	162	156	162
Minerals .....	"	137	140	116	139	146	143
Construction activity 1/	: 1935-39 :						
Contracts, total .....	= 100	118	106	294	303	287	277
Contracts, residential .....	"	64	59	439	434	395	385
Wholesale prices 2/	: 1935-39 :						
All commodities .....	= 100	131	131	138	140	154	160
All commodities except farm and food .....	"	123	123	128	130	134	137
Farm products .....	"	169	167	181	184	207	212
Food .....	"	134	135	141	143	177	188
Prices received and paid by farmers 3/	: 1910-14 :						
Prices received, all prod. ..	= 100	202	204	211	218	244	249
Prices paid, int. and taxes ..	"	174	173	185	188	199	204
Parity ratio .....	"	116	118	114	116	123	122
Consumers' price 5/ 6/	: 1935-39 :						
Total .....	= 100	128	129	132	133	141	144
Food .....	"	139	141	143	146	166	171
Nonfood .....	"	123	123	126	127	127	128
Income	: 1935-39 :						
Nonagricultural payments 4/	= 100	236	233	234	236	240	243
Cash farm 3/ .....	"	283	274	299	286	353	333
Income of Industrial Workers 3/	"	286	269	247	269	269	288
Factory payrolls 5/ .....	"	307	284	264	274	278	296
Weekly earnings of factory workers 5/	: Dollars :						
All manufacturing .....	"	44.39	41.72	42.51	43.30	43.35	44.61
Durable goods .....	"	49.05	45.72	45.10	46.31	46.15	47.43
Nondurable .....	"	38.29	36.63	39.93	40.29	40.49	41.74
Employment	:						
Total civilian 1/ .....	: Millions :	51.6	53.5	55.3	56.7	58.1	58.0
Employees in nonagri. est. 5/	: Thous. :	38,144	38,172	38,633	39,044	39,273	39,828
Farm 3/ .....	"	9,844	10,612	10,366	11,422	11,586	11,044
Government finance (Federal) 8/	: Mil. dol. :						
Receipts, net .....	"	3,837	2,997	2,733	4,479	2,539	2,434
Expenditures .....	"	7,470	7,291	3,864	5,352	3,644	2,755

Annual data for the years 1929-45 appear on page 20 of the March 1946 issue of the Demand and Price Situation.

Sources: 1/ Federal Reserve Board; converted to 1935-39 base. 2/ U. S. Dept. of Labor, B. L. S. 3/ U. S. Dept. of Agriculture, BAE. To convert prices received and prices paid, interest and taxes to the 1935-39 base, multiply by .93110 and .78125 respectively. 4/ U. S. Dept. of Commerce. 5/ U. S. Dept. of Labor B. L. S. 6/ Consumers' price index for moderate-income families in large cities. 7/ U. S. Dept. of Commerce, Bureau of Census. 8/ U. S. Dept. of Treasury. Data for 1945 are on average monthly basis.



# THE DEMAND AND PRICE SITUATION

Approved by Outlook and Situation Board -- October 24, 1946

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## SUMMARY

Strong demand for farm products continues. Despite record peacetime levels of industrial production, the unfilled needs for most products are still great. High level employment and output, increasing wage rates, higher profits, and slightly increasing hours of work combine to raise consumer incomes to levels far surpassing any peacetime year in history. Demand by business enterprise for capital goods and inventories during the third quarter was somewhat stronger than during the first six months of the year.

With the lifting of price controls in the latter part of October on by-product feeds and mixed feeds, livestock and meats, fats and oils and most other food products, prices of farm products, during the last 3 months of 1946, are expected to average well above the September level.

## INDUSTRIAL PRODUCTION

Industrial production in September continued at a high level as supplies of basic materials became available in larger volume and civilian non-agricultural employment remained at peak levels. Preliminary estimates of industrial output in September placed the Federal Reserve Board index of industrial production (1935-39 = 100) at the previous month's peak postwar level of 177. This was 5 percent above the level of September 1945, when war production was sharply curtailed following V-J Day.

Steel production, one of the most important components of the over-all index increased 3 percent in September to reach a record peacetime level of 195 percent of the 1935-39 average.

Motor vehicles during September were being produced at an annual rate of about 4 million units, as compared with an annual rate of 2 million units during the first 6 months of the year and a prewar (1941) annual rate of about 4.8 million.

Other consumer durable goods, with few exceptions, were being produced in record volume with the output of radios, electric ranges, vacuum cleaners, electric irons, and washing machines setting the pace with increases ranging from 30 to 65 percent above prewar (1941).

Despite large increases in the production of almost all types of consumer and producer goods, acute shortages persisted in various key lines. The production of such critical building materials as softwood plywood, cast iron soil pipe, and cast iron radiations, although increasing from August 1945 are still below prewar levels. Further, supplies of steel and iron scrap continue to be tight; and the production of foundry and malleable grades of pig iron, iron castings, copper, lead and wire nails is insufficient to meet current requirements.

Further substantial increases in industrial production will have to be attained to a large extent by longer hours of work and by more output per worker. The production of many basic materials is now near capacity; demobilization is virtually completed; and unemployment is now at a level generally considered to be close to a practical minimum.

#### NATIONAL INCOME

Total income payments to individuals in August rose to a seasonally adjusted annual rate of \$169.5 billion, establishing a new record level. Payments in August were about 1 percent above July, 3 percent above the wartime peak in February 1945, and 132 percent above the 1935-39 average.

Salary and wage payments, the largest component of total income payments, rose 1.7 percent from July to August, reflecting the continuing expansion in nonagricultural employment and payrolls. These payments however during the first eight months of 1946, represented a substantially smaller proportion of total payments than during the corresponding period of a year ago. Salary and wage payments from January thru August 1946 amounted to about 65 percent of total payments, as compared with 71 percent during the same months of 1945. Census estimates in August placed total nonagricultural employment at 48.8 million persons, 600 thousand higher than the level of the previous month and 4.3 million greater than in August 1945. Average hourly earnings in all manufacturing industries rose to \$1.11 per hour, and hours worked, to 40.3 hours, resulting in an increase in weekly earnings to \$44.61 per week. This was 6 percent lower than the wartime peak of \$47.50 per week in January 1945, but 9 percent higher than the September 1945 level of \$40.87 per week.



## CONSUMER EXPENDITURES

Record peacetime levels of income are resulting in record levels of consumer expenditures. The total value of retail sales in August was estimated at 8.5 billion, 11 percent above July and 35 percent above that of a year ago. The urgent demand for consumer durable goods continues to press available supplies as sales in durable goods stores reached a level 10 percent above the previous month and 88 percent above a year ago. Demand for most nondurable goods was also active, as the retail sales value of these goods reached a level of \$6.8 billion--12 percent above July and 26 percent above a year ago.

## CAPITAL FORMATION

Business demand for inventories, plant and equipment is an important factor in maintaining civilian employment and consumer incomes at current high levels.

Total inventories of business--manufacturers, wholesalers and retailers-- reached an all-time peak value of \$30 billion in July, increasing \$1.4 billion over June. Although part of the increase in the value of inventories represents increases in the valuation of newly acquired inventories, considerable accumulation of physical quantities also occurred. Although the value of inventories is at a peak, the relation of inventories to current sales does not appear to be out of line with the prewar relationship. In July, distributor's inventories were below the prewar relationship of stocks to sales, while manufacturers inventories were about in line.

During the first quarter of 1946, business spent \$2.2 billion for plant and equipment. Expenditures for the second quarter are estimated at \$2.9 billion. In the third quarter of 1946, planned expenditures by business for plant and equipment are indicated to be about \$3.2 billion, according to estimates made by the Securities and Exchange Commission. Third quarter expenditures of this magnitude would represent a 50 percent increase over actual expenditures during the first quarter and a 50 percent increase in the annual rate over peak expenditures in 1941.



## LABOR FORCE

Census estimates place the civilian labor force in early September at 59.4 million persons, 600 thousand fewer than in August. The decline was largely the result of the exodus from the labor force of temporary student workers who quit their jobs at the end of summer to return to school. Between the first week of August and the first week of September well over a million young workers withdrew from the labor force. Accessions to the labor force of about 350 thousand veterans and a small number of women--other than girls of school age--however, partially offset this decline so that the net result was a decline in the civilian labor force and in total civilian employment of only 600 thousand persons. Unemployment remained virtually unchanged from the August level of 2 million persons, of which about 800 thousand were male veterans.

## COMMODITY PRICES

The general price level, as measured by the Bureau of Labor Statistics all commodity index of wholesale prices, continued to rise until the last week in August, when the index declined from 128.2 to 121.7 (1926 = 100) for the week ending September 14. The decline was due primarily to action of the Decontrol Board reimposing price controls on meats and fats and oils. However, by the second week in October the index had risen to 126, about 3.5 percent above the mid-September level.

The index of wholesale prices of farm products declined by 7 percent from mid-August to mid-September. But, continued strong demand has resulted in rises in market prices of most uncontrolled farm products since mid-September. The wholesale food price index declined by 15 percent from 150.9 for the last week in August to mid-September, then rose by 7 percent for the week ending October 12. With the lifting of price controls on meat and other livestock products, fats and oils, and byproduct feeds and mixed feeds effective in mid-October, the Bureau of Labor Statistics daily index of food stuff prices on spot markets increased abruptly from 306.9 (1939 = 100) on October 14 to 338.7 on October 21.

The index of prices received by farmers as of mid-September was 243 (1909-14 = 100), down 2 percent from the previous month. In October, farm product prices at central markets were averaging higher than last month primarily because of higher prices for cotton, oil bearing crops, poultry and eggs, and dairy products. However, prices of feed grains and fruits in general were somewhat lower. With the lifting of price controls on livestock and meats, fats and oils, and byproduct feeds and mixed feeds, and continued strong demand, prices of farm products, during the last 3 months of 1946, are expected to average well above the September level. Reductions in feed grain prices probably will be more than offset by higher prices for livestock, poultry and eggs, and dairy products.

The index of prices paid by farmers, including interest and taxes--the parity index--declined from the record level of 204 (1910-14 = 100) in August to 200 for mid-September. Reduced prices for foods and feeds were primarily responsible for the decline. The recent upward trend in wholesale prices since mid-September indicates that prices paid by farmers will average higher during the last 3 months of the year.

## FARM INCOME

Total receipts from farm marketings for the first 10 months of 1946 are estimated at around 17.6 billion dollars, 6 percent greater than for the same period last year. Receipts from livestock were about the same as in 1945 and represented about 54 percent of total income compared with 58 percent last year. This percentage decline in livestock and products in 1946 was due mostly to the sharp drop in receipts from meat animals in September and early October. Receipts from crops during the 10-month period were about 15 percent above 1945. This increase reflected higher prices for most crops, a slightly earlier maturing cotton crop, and larger marketings of wheat and fruit.

Cash receipts in October were probably about 2.6 billion dollars, 37 percent above September and 8 percent above October 1945. Income from livestock and products, including dairy products and poultry and eggs, was about 52 percent greater than in September but 4 percent below October 1945. Although receipts from meat animals were substantially higher than in September, they were not quite as great as in October of last year. Crop receipts in October were probably around 30 percent greater than in September and 18 percent above October 1945. Seasonal increases occurred in income from cotton, oil-bearing crops and tobacco, and the gain in receipts from fruits was greater than usual, mostly because of large crops of apples, citrus fruits, grapes, and cranberries which moved to market in large volume.

Revised estimates for September indicate that total cash receipts were 1,860 million dollars. Receipts from livestock and products of 680 million dollars were down about 40 percent from August with income from meat animals dropping severely. Crop receipts gained 18 percent over the previous month, largely because of a marked seasonal increase in receipts from cotton.

## FARM PRICE SUPPORTS FOR 1947

This year (1946) is the sixth year of the farm price support program. The program has served the dual purpose of encouraging the production of crops and livestock necessary to win the war and at the same time protecting farmers against price declines.

When the war ended there existed acute world shortages of food grains, fats and oils, sugar, livestock and livestock products. Because of the strong demand for food products this year, prices of food grains, most oil crops, livestock, livestock products (including dairy products) and sugar crops averaged well above 90 percent of parity--the minimum required by law for those commodities for which price supports are mandatory. Moreover, support prices of several major commodities including sugar beets, sugarcane, flaxseed, soybeans, and specified varieties of dry edible beans were set well above 90 percent of parity for 1946 in order to encourage greater production.

In only one case did a surplus emerge which required active Government support. Extensive purchase and diversion operations were carried out to support prices of early potatoes and growers in late crop areas may rely heavily on the Department's loan program. An anticipated egg surplus failed to materialize when large export demands developed for dried eggs. However, purchases of some 7-8 million dozen frozen eggs were necessary to support prices.



Support prices were discontinued in 1946 for certain commodities for which price support is not mandatory. These included vegetables for canning and fruits for canning and drying.

Except as noted above, the price support program for 1946 was much the same as for 1945. The basic commodities--corn, wheat, cotton, peanuts for nuts, rice and tobacco 1/-- are eligible for support by loans at 90 percent of parity (92 1/2 percent in the case of cotton) as required by law. Also, the non-basic "Steagall" commodities--hogs, milk and butterfat, egg, chickens (excluding chickens weighing 3 1/2 lbs. or less and all broilers), turkeys, specified varieties of dry edible beans and peas, soybeans for oil, flaxseed for oil, peanuts for oil, potatoes, sweetpotatoes, and American Egyptian cotton--the production of which farmers were publicly requested to expand during the war are eligible for support at or above the mandatory 90 percent of parity. With the exception of potatoes, prices of "basic" and "Steagall" commodities this year have held well above the 1946 support levels.

Price supports were continued during 1946 for certain non-basic commodities not covered by a public request for expanded production and for which support is not mandatory. These commodities include, wool, gum naval stores, sugar beets, sugarcane, oats, barley, grain sorghums, designated winter cover crop seed, and certain hay and pasture seeds. Supports for feed grains included in this list serve to round out a comprehensive feed grain support program. Supports for most other commodities in this group are intended to encourage production and offset existing or prospective shortages. Many of these supports extend well into the first half of 1947.

Existing legislation provides that farm prices of the "basic" commodities referred to above must be supported by producer loans to producers at 90 percent of parity (92 1/2 percent of parity in the case of cotton) at least until the end of a 2-year period beginning with January 1 following the formal declaration terminating war. Since no declaration has yet been made, support is assured on the "basic" commodities through 1948.

With respect to the "Steagall" commodities referred to above, existing legislation provides for commodity loans, purchases, or other operations necessary to support prices. The price to producers of "Steagall" commodities must be supported at not less than 90 percent of the parity or comparable price for the commodity. As in the case of the "basic" commodities, prices of commodities coming under provisions of the "Steagall" Amendment must be supported at least until the end of a 2-year period beginning with January 1 immediately following the formal declaration terminating the war.

In order to stimulate greater production, the support price recently announced for 1947 crop, flaxseed was well above the September parity price. Prices in 1947 for most livestock and livestock products, certain varieties of dry beans, and soybeans for oil probably will be above the 90 percent minimum support level either as a result of support prices above the legal minimum or because of free market prices held above the legal minimum by relatively short supplies and a strong demand. Support prices for the 1947 crop of smooth peas will be on the basis of 90 percent of the comparable price as of July 1, 1947. Also, cooperating potato growers will be eligible for price support on the 1947 crop at the legal minimum of 90 percent of parity.

1/ Except fire-cured, dark air-cured and Virginia sun-cured tobacco.



The Goals for 1947 crop winter cover crop seeds are substantially above 1946 and support prices for these seeds are provided for 1947 to assure supplies of winter cover crop seed. CCC loans will be offered on 1947-crop rye in an effort to stimulate production. The loan rates will be comparable with the loan rates on corn, which will be established at 90 percent of parity at the beginning of the corn marketing year. Prices for 1947-crop sugar beets and sugarcane will again be supported at levels above 1946 supports and well in excess of present parity prices for these crops.

The demand for farm products will be at relatively high levels for 1947 as a whole, but may weaken during the latter half of the year. In general, farm prices are expected to average above the minimum support level. For some commodities prices will be at or near the minimum support levels; a few commodities will be supported above the minimum support levels (flaxseed, sugar beets, sugarcane, soybeans); and the prices of several commodities in relatively short supply probably will continue at levels well above minimum support levels.

The "basic" and "Steagall" commodities accounted for about 60 percent of total cash income from farm marketings in 1945. If price supports become effective in 1947, the minimum support level probably would hold the index of prices received by farmers between 190 and 200 (1910-14=100) compared with 230 estimated average for 1946 and 107 for 1935-39 average. This estimate assumes continued increase in the parity index through the first half of 1947, then a decline during the last half of 1947.

Parity is based on the index of prices paid, interest and taxes. The prices include those prices paid by farmers for commodities used in family living and farm production. Many of the prices entering into this index are relatively inflexible. During periods of advancing or declining prices, prices received by farmers tend to fluctuate much more than prices of commodities making up the index of prices paid, interest and taxes--the parity index. Should prices in general begin to decline, prices of farm products are likely to decline faster and further than the decline of prices making up the parity index. As a consequence, support levels guaranteed by existing legislation may become a major factor in the general level of farm prices during the next 2 or 3 years.

#### LIVESTOCK AND MEATS

Total meat production through August apparently was about the same as a year earlier. Larger pork output offset lower beef and veal production, despite a record slaughter of cattle in noninspected plants. Lamb and mutton production was about equal to that of a year earlier. With a sharp reduction in slaughter in September and early October, meat production for 1946 probably will be around 1 billion pounds less than the 22.9 billion pounds produced in 1945. Meat production in September and early October dropped to the lowest levels in all years for which records are available, following an output in July and August around 10 percent greater than a year earlier.

Cattle slaughter under Federal inspection in September was the lowest since 1888, and hog slaughter was the lowest since the first monthly record in 1879. Calf slaughter in September was reported at 364,000 head and was the lowest for the month since 1928. Sheep and lamb slaughter fell 358,000 head below the September 1945 kill to be the lowest for the month since 1927.

The withholding of cattle and hogs from market in September and October will be reflected in relatively large marketings of livestock for slaughter in late 1946 and early 1947. Meat production for 1947 as a whole may be as large as or larger than in 1946. The number of cattle on farms will still be near a record high at the end of this year, and, with a larger number of cattle to be grain fed in the next 12 months, beef and veal production in 1947 may exceed production in 1946. However, the expected sharp drop in the 1946 fall pig crop indicates pork production may be smaller than in 1946. An increase in the 1947 pig crop is anticipated, but pigs from that crop will not come to market before October next year and will be marketed through the winter and early spring of 1948. Lamb slaughter in 1947 will be below 1946, and another decline in the lamb crop is in prospect. Civilian meat supplies in 1947 may average around 145 pounds per person compared with the wartime peak of 148 pounds in 1944, and the 1935-39 average of 126 pounds.

Demand for meat probably will continue strong through the first half of 1947. With current levels of consumer incomes, meat prices at retail and prices received by farmers for live animals probably will average substantially higher in the next 9 months than under ceilings. Some decline in meat demand may occur after mid-1947.

#### DAIRY PRODUCTS

Prices of milk and most manufactured dairy products have increased sharply since June. Demand for dairy products will continue strong and supplies of milk products will be declining seasonally during the balance of 1946.

Average prices of dairy products both at retail and at the farm have reached new high levels. Compared with unit returns (prices plus subsidies) a year earlier, prices received by farmers for milk at wholesale in mid-September were higher by 65 cents per hundred pounds, or 17 percent; prices for butterfat were higher by 12 cents per pound, or 19 percent. As a result of increases in dairy-product prices from August to September and some reductions in prices paid for grains, both the butterfat-feed and milk-feed price ratios improved, and in mid-September were a little above the long-time average. In July and August, both ratios were slightly below long-time averages. Retail prices of cheese and fresh milk increased to new high levels in August, but prices of evaporated milk were still below the peaks reached in 1919. Butter prices declined from mid-July to mid-August but increased sharply to new record highs by mid-October.

Some decline in fluid milk and cream consumption apparently has resulted from the sharp retail price increases that followed the lapse of price controls. However, consumption is still considerably above the prewar average. During September, bidding for seasonally declining milk supplies became more active than usual at that time. In late September and at the beginning of October, farm and retail prices for fluid milk advanced further in some market areas.

Milk production on farms in September was 2 percent lower than in September 1945, a higher rate of output per cow partly offsetting the 4 percent reduction in cow numbers.



## POULTRY AND EGGS

The poultry and egg situation during September and first half of October was materially affected by the short meat supplies. Wholesale prices of poultry products in early October were at or near the highest levels for World War II. In mid-September, prices received by farmers for eggs, chickens, and turkeys were near all-time highs for that month.

Egg prices will decline seasonally after November, and probably will decline to support levels by early 1947. But prices received by farmers in 1947 particularly in the flush production season, will average higher than in 1946. Sharp increases in the parity index so far this year, and further increase in prospect, will raise minimum support levels for eggs for the 1947 flush production season above 1946 actual returns. Prices received by farmers during March-June 1946, the flush production season, averaged 32.4 cents per dozen, 96 percent of parity.

Decreases from the present high levels of chicken and turkey prices are in prospect, but declines are not expected to be substantial until about mid-summer, when supplies of poultry will be increasing and consumer incomes may be declining. Current marketings of chickens are below last year, reflecting the 18 percent reduction in chickens raised and the very low level of broiler output. Turkey supplies are about as large as last year, with larger cold storage stocks offsetting the 9 percent reduction in the number of turkeys raised.

## FATS, OILS, AND OILSEEDS

Price ceiling were terminated by October 24 on all edible fats and oils and edible fat-and-oil products and on some inedible fats and oils. Ceilings were not removed from prices of soap fats or drying oils, notably inedible tallow, greases, fish oils, coconut oil, linseed oil, or tung oil. Controls on all oilseed meals were terminated. Price ceilings also were lifted from soybeans and flaxseed; there were no ceilings on cottonseed or peanuts. Maximum prices for castor beans were discontinued but price controls over copra were not ended. Prices of the decontrolled items rose sharply, with most going above the 1919 peaks. All restrictions on uses and inventories of the fats and oils were terminated October 19 by revocation of War Food Orders. Most of these restrictions had been in effect since 1942. The only remaining restrictions on trading in oils and fats are those on imports and exports. Private importation of certain fats and oils is still prohibited by WFO-63; and private traders are still subject to imports and export licensing controls.

Consumer and industrial demands for fats and oils will continue exceptionally strong during the next few months. In addition, there will be a strong demand for fats and oils to rebuild working inventories and possibly for withholding in anticipation of further price rises.

The supply of fats and oils for consumption in the United States in the year beginning October 1946 may be no larger than a year earlier, when consumption per person was the smallest since the depression year 1933. Production from domestic materials is likely to decline moderately in 1946-47. Stocks of oils and fats on October 1, 1946 were over 400 million pounds less than a year earlier and more than 700 million pounds below prewar. Partly offsetting this factor, imports of copra into the United States will increase in 1946-47, while exports of fats and oils will decline because of the short supplies and high prices in this country.



If inventory-building of fats and oils becomes excessive, prices undoubtedly will decline fairly sharply when consumer and industrial demand weakens, possibly in the spring or summer of 1947. However, prices of soybeans, flaxseed, and peanuts produced in 1947 will be supported at high levels judged by prewar standards. Price supports are required by law for these commodities at not less than 90 percent of parity. Ninety percent of the present parity or comparable price for flaxseed and soybeans is nearly double the 1935-39 average price, and more than double for peanuts. For flaxseed, a minimum support of \$4.00 per bushel, Minneapolis, has been offered for the 1947 crop, equivalent on a farm basis to 2 1/4 times the prewar average price.

#### CORN AND OTHER FEED

Feed grain prices generally probably have passed their peak for the immediate post-war years. The strong commercial demand for corn for domestic purposes and for export, together with Government price supports on corn at about \$1.15 per bushel, will maintain corn prices next winter and spring at higher levels than during the winter and spring of 1945-46. But prices are likely to average lower in May-September 1947 than in the corresponding period of 1946 when they reached the highest levels since 1920.

Price controls on byproduct feeds and mixed feeds were terminated in mid-October. Prices of most byproduct feeds and of mixed feeds probably will be considerably higher during the coming winter and spring than last year. However, prices of some lower-protein feeds, such as wheat millfeeds and alfalfa meal, may weaken during the 1946-47 season.

Feed supply prospects as a whole are much more favorable for the 1946-47 feeding season than for the past few years. Total supplies of feed concentrates are estimated at about 162 million tons including feed grains, byproduct feeds, and wheat and rye for feed. This would be a million tons more than the supply for 1945-46, and on an animal-unit basis would be the largest on record. The supply of feed grains for animal unit will be the largest on record, and 5 to 10 percent larger than in 1945-46.

Use of feed grains for feed during 1946-47 is expected to be less than in 1945-46 as a result of fewer animals to be fed and because of the better quality of this year's corn crop. However, utilization of feed grains for food and industrial purposes, and for export, is expected to be larger than during 1945-46. Nearly 17 million tons of all feed grains may be so used during the coming year, compared with an estimated 13 million tons in 1945-46. Much of the increase in nonfeed uses expected in 1946-47 would be in exports of corn, which may total as much as 100 million bushels. Use of corn, oats, and barley for food and industrial purposes also is expected to be larger than during the past year.

The prospective supply of feed could support somewhat more livestock than now seem likely to be fed. Even with an increased use for nonfeed purposes, carry-over of corn on farms and at terminal markets on October 1, 1947 may be increased to a total of around 400 to 500 million bushels. The corn carry-over reached the low level of 163 million bushels on October 1, this year. The carry-over of oats on July 1, 1947 is expected to be even larger than the record carry-over of 281 million bushels this year.

## WHEAT

Wheat prices in the current year are at relatively high levels largely as a result of the very large export demand and delayed movement from farmers. Exports in the July-December period are expected to total about 150 million bushels, or less than the 200 million bushels exported in the last 6 months of 1945 but considerably above the 29 million bushel average for the same period in 1937-41. The movement from farms has been reduced in part by car shortages. For the 12 weeks ended October 19, the car loadings of grain and grain products were 15.3 percent below a year earlier and many country elevators are filled with wheat.

Domestic wheat supplies in 1946-47 are now estimated at over 1,270 million bushels, consisting of a carry-over of old wheat of 101 million bushels and a crop of 1,169 million bushels. The indicated crop is the largest on record, but the carry-over is the smallest in 20 years, except for 1937. Total supplies are below each of the past 5 years, although over a fourth above the 10-year, 1932-41, average. Wheat disappearance in the 1946-47 marketing year in the United States is expected to total about 770 million bushels, leaving about 510 million bushels for export and carry-over. If exports reach the goal of 267 million bushels, (250 million 1946 crop, wheat and 17 out of the old carry-over) it would leave a carry-over on July 1, 1947 about equal to the 1932-41 average of 235 million bushels. The exportation of a total of 400 million bushels of all grains, in accordance with the statement by the Secretary of Agriculture on August 23, may involve serious difficulties in transportation and movement through ports, especially with the delay caused by the maritime strike. If wheat and flour exports are increased beyond the quantities programmed, it would reduce proportionately the export of other grains.

Present prospects are that the 1946 world wheat production, excluding the U.S.S.R. and China, will total about 4.2 billion bushels. This would be the largest crop since 1940, about 4 percent above the 1935-39 average, and about 18 percent above the small 1945 production. The European total is a third larger than last year's small crop, but still 16 percent below the 1935-39 average. The improvement is most marked in the Mediterranean countries, especially in France, Italy, Spain, and in the Balkans. The crop in the British Isles, where excessive late rains greatly reduced the outturn, is an exception to the general improvement over last year. The crop in the U.S.S.R. is estimated to slightly exceed last year's harvest, but is still considerably below the prewar level. The next largest gain after Europe is in North America, where the indicated Canadian crop is 44 percent above that in 1945. Prospects in the Southern Hemisphere countries, where the harvest does not begin until November, are expected to be above the small outturns in 1945, but still probably below average.

Even though the demand for wheat and flour imports by deficit countries in 1946-47 is reduced by the better domestic production compared with 1945, total stated import requirements are again so large as greatly to exceed available exportable supplies. A year ago large reserves still existed in exporting countries. However, these have been exhausted and exports must now come entirely from the current year's production.



## RICE

Rice is one of the few commodities on which price ceilings have not been removed. The reason for this is that the demand for rice for export is so very large that it results in a short-supply situation for domestic use. Rice production in Oriental countries has been reduced by war conditions and crop prospects for the new harvest in November in important Oriental countries are again below normal.

Rice consumption by United States civilians out of the 1945 crop totaled only 4.4 pounds of milled rice per capita compared with an average of 5.6 pounds in the 1935-39 prewar period. For 1946-47 per capita consumption is estimated at 4.7 pounds, which is above a year earlier, but still below average. In 1945 a record-large rice crop was produced and in 1946 the crop was only slightly less, but even with the large outturns, it has not been possible to meet the abnormal export as well as normal domestic demands.

## FRUIT

Prices for some individual fruits will not be as high as last fall because of larger crops; however, prices for fruit this fall are expected to average substantially above prewar levels.

Prices received by growers for 1946-crop apples have generally declined during the summer and early fall but are expected to advance later this fall as sales from storage begin. Similarly, prices for pears are expected to rise seasonally this fall and winter. However, prices for apples probably will not be as high as last season when the crop was unusually small.

Despite a continuing strong demand for fruit, prices for citrus fruit this fall are expected to average somewhat lower than those of last fall but still much higher than prices in the late Thirties. Prices for the record-large new crops of oranges and grapefruit again will tend to be supported by demand for processing, which is likely to take an increased proportion of production.

Although the California grape crop is about as large as the 1945 crop, prices received by growers are substantially higher than a year ago, when ceilings were in force. A strong demand for grapes for processing, especially for juice and wine, is a key factor in the higher prices this year. In contrast, prices for eastern grapes are slightly lower this year than last, mainly because of a much larger crop.

Fresh fruit this fall and winter will face the competition of a record-large pack of canned fruits and fruit juices. However, as long as prices for the canned product are maintained at price levels above those of a year ago, prices for fresh fruit will tend to be sustained.

## TRUCK CROPS

For Fresh Market

With strong consumer demand continuing in the next few months, prices which growers receive for commercial truck crops in general are expected to be only moderately lower than a year earlier, despite record-large production for the season.



Aggregate production of 13 crops is expected to be about 43 percent above average and 3 percent larger than last fall's record production. Supplies of each crop except for green peas will be far above average. Total production of all truck crops this year establishes a new record.

Demand for commercially grown fresh vegetables is expected to continue strong this winter. Prices, however, may not average as high as they did last winter. Acreages of winter-season cauliflower and kale for fresh market shipment are expected to be slightly larger than a year earlier, but those for winter shallots and early spring onions are likely to be moderately smaller. Abundant supplies of potatoes and dry onions from the record-large 1946 crops will be available all winter.

### For Processing

Aggregate production in 1946 of commercial truck crops for processing is expected to be near the record produced in 1942. With a near-record commercial pack of canned vegetables and a record pack of frozen vegetables expected in the 1946-47 pack year, a rapid increase seems probable in the stocks in the hands of wholesale and retail distributors by the end of the pack year. Demand for contracted acreage for processing in 1947 may be weaker than in 1946.

### POTATOES

Prices which growers receive for 1946 crop potatoes are expected to continue near the support level under the Department's loan program. The largest crop in our history has been produced this year--more than 471 million bushels. The crop produced in the 30 late States, more than 351 million bushels, is nearly 13 million bushels smaller than the record-high crop of 1943.

In carrying out its price-support obligations this year under existing legislation, the Department has found it necessary to buy nearly 40 million bushels of potatoes from States and areas which normally market their crops before October 1, (or more than one-third of the total commercial production in these areas) and in addition is placing loans on a quantity of late crop potatoes which probably will exceed 60 million bushels, the final disposition of which remains uncertain. The combination of relatively high prices of recent years, favorable weather, and shifts in acreage toward high-yielding commercial areas has resulted in a total production far in excess of the quantity that can be moved into normal trade channels at the level of prices which must be supported.

### SWEETPOTATOES

The sweetpotato crop this year is estimated at nearly 68 million bushels, about a million bushels larger than last year's crop and slightly larger than the 10-year average. In spite of the larger crop, prices to growers through early October in all major producing areas which have adequate storage and marketing facilities have been higher than a year earlier. Demand for sweetpotatoes is expected to be at least as strong this fall and winter as it was a year earlier, when sweetpotatoes sold at ceiling levels throughout most of the season. Despite the increase in production, growers probably will receive higher prices on the average for this year's crop than for the 1945 crop.

## DRY EDIBLE BEANS AND PEAS

Demand for dry edible beans and peas continues strong, with prices received by growers at or near ceiling levels. Prices for the 1946 crop of beans, which is 8 percent smaller than average, advanced sharply in September following a substantial upward adjustment in ceilings. Heavy military procurement of peas for relief feeding in occupied areas was a prime factor in the recent advance in pea prices.

## COTTON

After advancing about 2-1/2 cents a pound during September and early October, cotton prices broke sharply on October 16. The rapid decline continued through October 21 when prices of 15/16" Middling at the 10 markets averaged 32.82 cents. This was 6.11 cents lower than on October 2 when prices reached 38.93 cents. This was the highest level since late July 1920 and based on prices for 7/8" Middling cotton at that time is about 3.23 cents lower than the post-World-War-I peak. Following the break in mid-October, the market strengthened, and by October 24 had regained almost half the loss during the preceding period of decline.

The September 15 farm price was 35.30 cents compared with 33.55 cents for August. Prices received by farmers, as reported to the BAE for October 15 will reflect the late September and early October advance. However, the sharp drop immediately following this date will doubtless offset most of this gain so that prices actually realized by farmers for the month of October may average about the same as for September.

The Office of Price Administration increased ceilings on cotton textiles an average of 2 cents per pound effective October 1. This action was taken to carry out requirements of the Price Control Extension Act that ceiling prices on cotton textiles be kept current with respect to changes in the price of raw cotton. The increase is based on average prices in the 10 markets during the period September 8-22, compared with prices for the same period of the preceding month. The revised ceilings are applicable for October.

The official estimate for the 1946 crop as of October 1 is 8,724,000 bales (of 500 lbs. gross weight), a reduction of 447,000 bales or 4.9 percent from a month earlier. Prices at the 10 markets advanced only 11 points on the date of this announcement, indicating that a good part of the reduction had been anticipated by the trade. A crop of this size gives a supply of 16.0 million bales of American cotton in the United States for the 1946-47 season. Should domestic consumption only exceed that of last year by a comparatively small amount, which is now expected, and exports reach or approximate present expectations of about 3 million bales, the carry-over in the United States August 1, 1947, would be reduced to something less than 4 million bales.

Total domestic consumption in September was 813,449 running bales compared with 855,511 bales in August. The September daily rate averaged 39,924 bales, which is slightly higher than the August daily rate and is equal to an annual consumption of 10.2 million bales.

1/ Charleston, Augusta, Savannah, Montgomery, New Orleans, Memphis, Little Rock, Dallas, Houston, and Galveston.



In a number of the war-torn countries of Europe cotton mill consumption is approaching immediate prewar levels and some may exceed this level before the end of the current season. In the United Kingdom and Germany, consumption is still considerably below prewar. One of the problems retarding progress in the United Kingdom is the difficulty of attracting labor into textile mills under the prevailing wage scale compared with wages in other industries. In France and Italy, the number of workers available has been sufficient to allow rapid increases in production. Furthermore, the shortage of rayon fiber has caused a considerable number of spindles to be shifted to cotton. This explains in part the rapid increase in the rate of cotton consumption. Mill consumption in China and Japan has not progressed as rapidly as was planned, partly because of the war destruction of a major part of their spindles and other retarding factors.

Although mill consumption in foreign countries is increasing rapidly, stocks of American cotton in a number of the foreign countries are somewhat high relative to the current rate of consumption and relative to prewar stocks. Consequently, the immediate effect of the high rate of consumption on the demand for American cotton may not be significant.

#### WOOL

Commodity Credit Corporation selling prices for domestic wool were increased 1 to 5 cents a pounds, scoured basis, effective October 14, to bring prices in line with parity. The increase was necessary because of the rapid rise in recent months in the parity price of wool. The Government cannot sell supported farm products at less than parity under present legislation. CCC will continue until April 15, 1947, to purchase wool at 1946 support prices which average about 15 percent above the revised selling prices.

Further changes in CCC selling prices will depend, in part, on changes in the parity index, but changes in prices in foreign markets may also be a factor. Foreign prices have advanced quite sharply since auctions of British Dominion wools were resumed in September. In general, the early October prices of fine wool in Australia were reported to be about 20 percent above those of last season and in South Africa they were about 25 percent higher than last season. These increases, if maintained, eventually will result in increases in United States prices of these wools. Because of OPA ceilings, dealers' prices have not yet advanced as wool now being sold by dealers was purchased at last season's prices. Present prices in foreign markets are reported to be considerably higher than present ceilings on the resale of foreign wool within this country. They also appear to be somewhat higher than present CCC selling prices for fine domestic wools, when converted to an equivalent duty-paid basis.

Mill consumption of apparel wool in August was at an annual rate of 1,100 million pounds, grease basis. This was 20 percent higher than in July when many mills were closed for workers' vacations, and was 4 percent higher than the January-June rate. Consumption seems likely to continue close to this rate into the early part of 1947, since outstanding mill orders are large and production of many clothing items is still far short of demand. Use of domestic wool has been increasing in recent months, and the shift to domestic wool seems likely to continue if higher prices are maintained in foreign markets.



## TOBACCO

Consumer demand for cigarettes and cigars is continuing at a high level. Tax-paid withdrawals of cigarettes in August were indicated at 29 billion--~~3~~1/2 billion above July and 1/2 billion above August a year ago. For the first 8 months, cigarette production (tax-paid plus tax-free cigarettes) is running slightly above the same period in 1945 and the total for the calendar year 1946 probably will set a new yearly high. Several large cigarette companies announced an increase in prices recently, which have been reflected in either a 1/2 cent or 1 cent retail price increase per package to the consumer. With income payment and employment at high level this increase will probably not affect consumption. Tax-paid withdrawals of cigars in August were indicated at 501 million--~~62~~ million above July and 16 percent higher than August 1945. Total production of cigars for the calendar year 1946 is expected to range between 5.8 and 6.0 billion as compared to the estimated 1945 production of 5.3 billion. The manufacture of plug, twist, fine cut and scrap chewing tobacco for the first six months of 1946 was considerably below the same period in 1945. Snuff manufacture has also been somewhat lower. Smoking tobacco production during the first 6 months of 1946 was 45 percent below the corresponding period in 1945 when cigarette shortages had the effect of increasing smoking tobacco consumption.

The October crop report indicated a total crop of almost 2-1/4 billion pounds--1/4 of a billion pounds higher than the previous record crop of 1945. Record crops of flue-cured, burley and Maryland, and increases above 1945 for all other types except Georgia-Florida wrapper and perique, have been produced this year.

Flue-cured tobacco marketings are past midseason. Gross sales on all auction markets through October 11 totaled 904 million pounds at an average of 48.8 cents per pound--5.8 cents above the season average for 1945. Total supplies are around 7 percent above a year ago, but a strong demand by domestic manufacturers and for exports is expected to increase total disappearance in the 1946-47 marketing year above that of a year ago.

The second most important type of tobacco from the standpoint of volume is burley which will begin marketings in early December. This year's production of 602 million pounds is the third successive year of large crops and total supplies are at a record high--35 percent above the midwar years. Loan rates based on ninety percent of parity will be available, but demand is expected to be strong due to the high levels of cigarette production and general economic activity.